

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6947

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL CALCUTTA

AMCONSUL BOMBAY

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 9861

E.O. 11652: GDS

TAGS: PFOR, IN, NP

SUBJECT: INDO-NEPAL TRADE NEGOTIATIONS: FIRST ROUND

REF: NEW DELHI 8631

SUMMARY: FIRST ROUND OF INDO-NEPAL NEGOTIATIONS ON RENEWING
TRADE AND TRANSIT AGREEMENT ENDED JULY 3 WITH KEY POLITICAL
QUESTION LEFT WITH NEPAL AS TO WHETHER TO AGREE TO INDIAN
DEMAND THAT IT DROP REQUEST FOR SEPARATING TRADE AND TRANSIT
INTO TWO AGREEMENTS. INDIANS REFUSED TO DISCUSS TRANSIT TO
BANGLADESH PENDING TRILATERAL NEGOTIATIONS INCLUDING BANGLA-
DESH. INDIANS ARE APPARENTLY PREPARED TO MAKE SOME CONCESSIONS
BUT WISH TO KEEP LANGUAGE OF AGREEMENT GENERAL AND ALONG LINES
OF EXISTING AGREEMENT, RATHER THAN MORE SPECIFIC AND UNEQUIVO-
CAL AS PREFERRED BY GON. IF NEPALESE AGREE ON SINGLE AGREEMENT,
NEPAL EMBASSY IN DELHI EXPECTS SECOND ROUND OF DISCUSSIONS
IN LATE JULY. OTHERWISE THERE COULD BE EXTENDED STANDOFF.

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END SUMMARY.

1. THE INDO-NEPALESE TALKS ON TRADE AND TRANSIT ENDED INCONCLUSIVELY IN NEW DELHI JULY 3. THE TWO SIDES WERE ONLY ABLE TO AGREE ON A RECORD OF THE ELEVEN-DAY TALKS AND THE NEED TO RESUME NEGOTIATIONS "AT A MUTUALLY CONVENIENT TIME" IN KATHMANDU. THE CURRENT FIVE-YEAR TREATY GOVERNING TRADE AND TRANSIT BETWEEN THE TWO COUNTRIES EXPIRES AUGUST 13.

2. THE OFFICIAL NEWS AGENCY SAMACHAR ACCOUNT STEERS CLEAR OF APPORTIONING BLAME FOR THE FAILURE OF THE TALKS AND REPORTS ONLY THAT "BOTH SIDES PUT FORWARD THE DIFFICULTIES THEY HAD FACED IN THE LAST FIVE YEARS IN THE IMPLEMENTATION ASPECT OF THE TREATY, BOTH IN RELATION TO TRADE AND TRANSIT." HOWEVER, OTHER INDIAN PRESS REPORTS PUT THE RESPONSIBILITY ON THE NEPALIS. HINDU CORRESPONDENT G.K. REDDY, IN WHAT THE NEPALI COUNSELOR JAI RANA DESCRIBED AS A VERY WELL-BRIEFED STORY, WROTE JULY 2 THAT THE TALKS RAN INTO DIFFICULTIES BECAUSE OF THE "NEPALESE DEMAND FOR THE SEPARATION OF THE TWO (TRADE AND TRANSIT) ISSUES WHICH INDIA DOES NOT CONSIDER NECESSARY AT PRESENT." ACCORDING TO REDDY, THE NEPALESE DEMAND CAME AS A SURPRISE TO INDIA BECAUSE PRIME MINISTER GIRI GAVE THE IMPRESSION DURING HIS RECENT VISIT HERE THAT NEPAL HAD DROPPED THIS IDEA. REDDY GOES ON TO COMPLAIN ABOUT NEPAL'S RECENT TREATY ON TRADE AND COOPERATION WITH BANGLADESH, SAYING IT WAS BASED ON TRANSIT THROUGH INDIAN TERRITORY BY ROAD, RAIL AND RIVER ALTHOUGH ENTERED INTO "WITHOUT ANY PRIOR CONSULTATION WITH INDIA." ACCORDING TO REDDY, "THIS WAS EVIDENTLY A CALCULATED MOVE ON NEPAL'S PART TO CREATE A CASE FOR SEPARATING TRANSIT FROM TRADE...."

3. REDDY ALSO REPORTED THAT THE TALKS WERE ON THE VERGE OF A "COMPLETE BREAKDOWN" WHEN THE NEPALESE DELEGATION CHOSE TO ADOPT A MORE FLEXIBLE ATTITUDE. REDDY IMPLIED THE NEPALESE DELEGATION DREW BACK FROM AN INITIAL DEMAND FOR PREFERENTIAL TREATMENT OF ITS SHIPPING AT INDIAN PORTS, EXEMPTION FROM THE APPLICATION OF INDIAN LAWS TO GOODS IN TRANSIT, AND THE CONTINUANCE OF EXISTING CONCESSIONS FOR THE FLOW OF NEPALESE GOODS INTO INDIAN MARKETS. REDDY CONCLUDES BY OBSERVING THAT INDIA HAS BEEN DISPLAYING "EX-

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EMPLARY PATIENCE IN NEGOTIATING WITH NEPAL" FROM A REALIZATION "IT WOULD NOT BE SERVING THE BEST INTERESTS OF NEPAL ITSELF BY MAKING CONCESSIONS OF AN ALTRUISTIC NATURE WHICH WOULD ONLY PROVIDE ENCOURAGEMENT TO THE UNFRIENDLY ELEMENTS IN KATHMANDU TO MISUSE THEM FOR STRAINING INDO-NEPALESE RELATIONS." IN REDDY'S VIEW, "ANY FIRMNESS SHOWN BY INDIA...IS THUS PRIMARILY INTENDED TO SUBSERVE THE LARGER INTERESTS OF NEPAL IN THE LONG RUN."

4. JAI RANA TOLD EMBOFF JULY 5 THAT INDIANS HAD MADE IT CLEAR THAT RESUMPTION OF TALKS WOULD DEPEND UPON NEPALI WILLINGNESS TO DEOP REQUEST FOR SEPARATING TRANSIT AND TRADE ASPECTS OF AGREEMENT. IF THIS WAS DONE, NEXT ROUND WOULD PROBABLY BE LATE IN JULY IN KATHMANDU. OTHERWISE INDIANS WOULD PROBABLY DRAG THEIR FEET ON RESUMING DISCUSSIONS. (SEE PARALLEL ASSESSMENT BY INDIANS IN EARLY JUNE REFTTEL.) RANA THOUGHT GON WOULD GIVE IN. INDIANS HAD SIMPLY DECLINED TO DISCUSS TRANSIT RIGHTS ACORSS INDIAN INTO BANGLADESH, INSISTING THIS WAS AN ISSUE WHICH WOULD HAVE TO BE DISCUSSED IN TRILATERAL NEGOTIATIONS. ON NUTS AND BOLTS OF DISCUSSIONS, THE BASIC NEPALI TACTIC, ACCORDING TO RANA, IS TO TRY TO MAKE THE AGREEMENT AS SPECIFIC AND BINDING AS POSSIBLE, WHILE INDIANS ARE TRYING TO KEEP THE KANGAGE GENERAL AND VAGUE. THIS ENABLES INDIANS TO TIGHTEN UP ON TRADE AND TRANSIT CONTROLS WHEN POLITICAL RELATIONS COOL BETWEEN INDIA AND NEPAL WHILE STILL WORKING WITHIN FRAMEWORK OF AGREEMENT. OF COURSE, NEPALESE CAN DO THE SAME, BUT RANA WRYLY OBSERVED THERE WERE FEW OCCASIONS WHEN NEPALESE PRESSURE COULD HAVE ANY EFFECT.

5. RANA THOUGHT INDIANS WOULD PROVIDE SUBSTANCE OF NEPALI REQUEST FOR DOCKSIDE WAREHOUSE FACILITIES IN CALCUTTA BY ALLOWING GON TO USE GROUND FLOOR OF WAREHOUSE IN WHICH NEPALESE CURRENTLY USE SECOND FLOOR. INDIANS HAVE NOT BEEN WILLING TO ALLOW DOCKSIDE FACILITIES FOR NEPAL AT HALDIA ON GROUNDS PORT IS STILL IN PROCESS OF CONSTRUCTION AND IT IS PREMATURE TO MAKE ANY LONG-TERM COMMITMENT ON SPACE USEAGE. NEPALI REQUESTS FOR TRANSIT PORT FACILITIES AT PARADEEP, VIZAG, MADRAS, AND BOMBAY ARE ALSO UNRESOLVED IN DISCUSSIONS AS IS QUESTION OF GUARANTEED SUPPLIES AND FOR DETERMINING PRICE OF BASIC COMMODITIES SUPPLIED NEPAL

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BY INDIA.

6. RANA SAID HE FOUND THE CONCLUDING COMMENTS IN THE G.K. REDDY ARTICLE (PARA 3 ABOVE) IRRITATING AND WHILE NOT PREPARED TO SPECIFICALLY ATTRIBUTE THEM TO GOI OFFICIALS, MUSED THAT THE GNERAL FLAVOR WAS PROBABLY NOT TOO FAR OFF THE THINKING OF INDIAN NEGOTIATORS. IN GENERAL, RANA SEEMED FAIRLY RELAZED ABOUT NEGOTIATIONS AND APPEARED TO BELIEVE THAT HAVING TESTED THE INDIANS, THE GON WOULD NOW BUCKLE DOWN TO GETTING THE BEST COMBINED TRANSIT AND TRADE AGREEMENT POSSIBLE UNDER THE CIRCUMSTANCES.

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